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THE REGULATION OF PUBLIC UTILITIES

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How shall we control our public utilities? This is the question American municipalities must ask themselves, the question they must answer.

In the old days the utilities controlled the municipalities. How, was not a difficult problem. The method can easily be traced in an investigation of the expense account. In recent years there has been an awakening on the part of the public; this has had the tendency to relegate the utilities to their proper position of servants instead of masters of the people.

A new view of the relationship of the utilities to the communities in which they do business is in vogue on the part of the public. And by the same token a new method of meeting the changed conditions is in vogue on the part of the utilities.

The utilities are with us. They form an integral part of the mechanism of modern community life. How shall they be so controlled and regulated that the new methods they employ to gain the old ends may be met and checkmated?

I shall not attempt a scientific answer. Nor shall I discuss the question except in the light of my personal experience and as I know conditions in my own city. No word that I may speak is intended to apply to any community other than my own. I propose to leave scientific discussion to the experts, to attempt individually a categorical answer based upon the every-day phases of the problem with which I have been brought almost daily in contact. It might be well to remember, however, that Chicago's problem and difficulties differ but little from the problems and difficulties that harass other cities.

To some my statements may seem harsh and intemperate, far fetched and flimsy, unjust and radical! My apology must be that

*Remarks as Presiding Officer, Session of Friday Afternoon, November thirteenth.

for well nigh twelve years, during which the old order has passed away and the new order has made itself felt, I have been part trainer of a large and lusty public utility menagerie.

The experts have figured the whole thing out by the rule of three. Regulation is the thing. State regulation is the panacea offered by the one group, home rule or local regulation the cure-all insisted upon by another group. The expert, however, fails to take into consideration the human equation. And there is a human equation to be considered in this as well as in all phases of human life.

Utility corporations are not organized as eleemosynary institutions. Corporations are artificial entities, but their component parts are individuals. A corporation possesses just a little bit more human nature than in the aggregate is in the make-up of all the individuals that compose it. The officers and directors of a corporation reflect the human nature of the stockholders; they are guided by the same lights, swayed by the same motives, only more so. They hold place for one purpose, to show tangible results. Tangible results are needed to satisfy the cravings, to sate the appetite of the individuals they represent.

Profit is the aim of the utility corporation. The length to which public utilities are willing to go for the sake of profits was seen in the days when they were masters and the people were slaves. In the mad chase they over-reached themselves. Even an American public with all its indifference, with all its monumental patience, with all its proverbial long suffering finally rose in its might and asserted itself as master.

While the utilities have tempered their methods to the new public attitude, profits are as eagerly sought as ever. High finance may not be quite as arrogant, as self assertive, as ruthless as in the days when captains of industry were in their flower, but it would be a bold man to assert that devious methods have been abandoned, that altruistic methods have been permanently substituted in their stead.

It is in the human equation that the public danger lies. In the hey-day of high finance, officials elected by the people forgot to whom their allegiance was due. They took their orders from the utilities—for a consideration. If the consideration was great enough the heavenly void alone bounded the limit to which they were prepared to go.

Within sixteen years I have heard an alderman on our council floor exclaim to a confrere "Why! You'd take a hot stove!" and the accused did not deny the soft impeachment. When the question of raising an alderman's pay from \$3 a meeting to \$1,500 a year was under discussion, an alderman arguing for the higher pay from the floor of the council asked plaintively: "How can an alderman stay honest on \$3 a week?" and the question remained unanswered. Philadelphia was considerate enough at one time to loan to Chicago, Charles T. Yerkes, until we made him pack his baggage and move to London. I have seen him seated in the great corridor outside the doors of the House of Representatives of the state of Illinois sending for his lieutenants, leaders of both parties among the legislators, giving his orders, outlining his strategy like the veriest war lord on the field of battle. I have heard state legislators in public places recount as the joke of all jokes how a country representative accepted \$300 for his vote when \$3,000 was his allotted portion.

These were the days of rough stuff and raw work, yet these days are removed from the present by the brief space of sixteen years only. Are we to believe that the muckrake in its purifying process has gone below the surface until all the weeds have been uprooted, are we to believe that all the seed are destroyed? Or are we to recognize rather that there has been a change in strategy, that the public must be prepared to defend itself along a new line of attack?

When high finance was king franchises were bartered away without a saving clause. Improvements, betterments, service, lower rates were left to the tender mercies of the utility concerns. The abuses led to a demand for control, for regulation. In the case of Chicago the first remedy sought was increased power over utilities. The legislature was asked to give to municipalities plenary powers to deal with their local utilities. The utilities began to worry. They cried out against unjust regulation tantamount to confiscation. Local powers, it was proclaimed, should be curtailed rather than enlarged. To give a municipality complete control of its utilities would fall little short of establishing anarchy.

Anarchy, by the way is a lovely word for the utility mouth to conjure with.

The people, however, were wide awake; they refused to be stampeded. The corporation officers read the handwriting on the wall.

Regulation was imminent, indeed, had arrived. What was the best regulation for them? Why, state regulation, of course.

Here is where the human equation comes in.

A state commission is a small body. Control by a single small body from the standpoint of the public service corporations is far preferable to a control centered in each individual community. A lot can be said for it unquestionably. Scientifically the arguments advanced for it are unanswerable. Opposition would seem inexcusable, were it not for the human equation which must not be ignored.

State commissions are appointed by a governor. A governor is subject to all the human weaknesses. He may be absolutely honest, but a poor judge of human nature. He may be quite incorruptible, but subject to political pressure. He may be inexorable to political demands, yet yield to personal influence and persuasion. The men that constitute the commission when appointed are subject to all the frailties to which mankind is heir. A first commission may challenge criticism, but every once in so often it must be reappointed, or new members must be named to take the place of those whose time has expired, whom death may have removed, whom untoward chance may have incapacitated for further service.

Of a local commission, appointed by a mayor under the so-called home rule policy, the same criticism may be made, but let it be remembered that the personal responsibility for his appointments will weigh more heavily upon a mayor, who can be called up with a sharp turn by his constituency for failure of his commission to heed a righteous public demand, than upon a governor, who is responsible to a larger constituency, all of whom are not personally interested in each decision or finding of a commission.

This argument is most unscientific I am constrained to admit. The citizens, however, are more interested in good service and cheap rates than they are in the securing of these benefits by methods of scientific accuracy. Results are what the people are after, not a scientific method of regulation, approved of by the up-to-date expert, which exhausts itself in red tape, and leaves rates high and service poor.

Again there is the home rule scheme that leaves control and regulation absolutely in the hands of each community's elective officials. Until eighteen months ago this was the method we employed in Chicago, where the gas, telephone, electric lighting, sur-

face and elevated traction service are in the hands of private capital. Chicago owns its water system, thank God! Its service is magnificent, its operation most profitable to the community.

In the good old days Chicago had no regulation. The corporations carried their extortions as far as they dared without running the risk of being lynched. The public finally worn to exasperation demanded relief. How the fight was fought, how the victory won is too long a story to be recounted here. A good fight was fought with the result that must attend any honest, determined battle for the people. The people won.

A vexatious dispute with the surface traction companies, extending over ten long years, was settled on a basis that gave with a vastly improved service a division of the net receipts between the companies and the city.

Since 1907 the city's share has amounted to the comfortable total of \$13,027,884.82, with one-half of the present year yet to be heard from. Gas rates are 80 cents a thousand with a rate of 68 cents fixed by the city council now being fought in the courts. Electric lighting and power rates compare favorably with the rates in force in most cities and the same may be said of telephone rates.

In fact Chicago's method of dealing with the utility question apparently has been too successful to meet with unqualified approval in quarters where dividends are more important than good service and low rates. When it became evident that some concessions must be made to the people, the wise men, who do the thinking for the utilities, devised the scheme of state control, a control far removed from local influences. In the last session of the Illinois legislature a state commission was created and to it was given the complete control of all Chicago's utilities. The personnel of the commission that has since been appointed is satisfactory.

Now to my way of thinking state control is better than no control. Local control is better than state control. It may not be scientific to let each community grapple with its own problems, but this is the method that finally brings results. The utilities have their protection in the courts against too drastic action. All regulation must be reasonable. The people are entitled, however, to the best service at the lowest rates that will make a utility investment reasonably profitable. The most valuable commodity the utility possesses is the right given it by the public to use the com-

munity property in streets and alleys. In the early days when gas, telephone, electric and traction service were unknown quantities, when the infant utility was taking a chance of possible failure, the investor was entitled to extra returns for the hazard. Today these utilities are entitled to a fair profit and no more. Returns are as certain as interest on government bonds. Extra profits should cause extra dividends to be declared, but the extra dividends should be in favor of the public in increased service, reduced rates or cash compensation.

But better than either state control or local control is public ownership. Many, probably the great majority of communities, own their water works which are operated profitably. Operation in all likelihood would be conducted on a more scientifically economical basis with private ownership, but who would reap the benefit? Not the public, except when by a bitter fight improved service and low rates could be forced, not the employees whose wages would be held down to the lowest notch, whose working conditions would be made most onerous, not these but the fortunate few who might happen to be the lucky stockholders of the utility.

A great good would come from public ownership of all utilities in the tremendous responsibilities of local government. These responsibilities would demand imperatively increased attention to civic duty by all classes of citizens.

The indifference of so large an element in each community life to the character of officials and to the service they render is the greatest present obstacle in the path of good government. Nowadays the controlling policy is that of *laissez aller*. "What is the use?" says the prosperous business man on election day, when he passes up his voting privilege, seizes his golf clubs and goes to the country to avail himself of a holiday. Let a municipality operate all its utilities and self interest will induce each citizen to take a more active part in the affairs of local government. He will awake to the realization that American citizenship is not a mere perquisite, that it is a duty, a responsibility, an obligation.

The first requisite of public ownership is a rigid civil service, which appoints, holds and promotes absolutely on merit. Without it public ownership would be a public disaster. With it public ownership would be made a tremendous blessing to every community. The best of service at the lowest paying rate, the highest of wages and

the best working conditions would still leave enough in the cash box materially to reduce the burden of general taxation.

The favorite argument against public ownership is that it would be uneconomical. Wherein lies the economy of private ownership as the thing works out in every day life? In poor service, high rates and low wages.

Under private ownership, if an extension of a utility is asked the first and foremost question is, will it pay? Under public ownership the question would be: Will the general benefit, the development of a new district, the increased value of property be enough to offset the temporary excess of cost over income?

The greatest benefit to a community comes from home life, the greatest danger from the congestion, the overcrowding, the insanitary conditions developed by tenement life. The home, to be available for the struggling masses, must be a cottage or a flat in the outlying districts. To be available for use it must have transportation, water and light. While a neighborhood is in process of development the revenues from these sources would be scant. Private ownership would hold back, would await the slow building up. Public ownership would jump in to make a district available for residence at once, would stimulate its growth even at a present loss.

The proponent of private ownership rails against the labor unions, their constant demands for better hours, better working conditions, better pay; the tendency under public ownership, he tells us, would be to give heed to these demands. The electric lighting company in my city is operated on the open shop basis; the wages it pays are less than what public institutions pay for the same class of work. Public ownership we are told would increase these wages and make the operation uneconomical.

I am one of those who believe in a more even distribution of this world's goods than is enjoyed under our present system of society. There is no terror for me in the idea that the wages of the American working man are slowly but surely going up; that his hours of labor and working conditions are steadily improving.

That would be the ideal country in which there were no multi-millionaires but many well-to-do, in which every working man of industry and sobriety received a wage upon which he could live in comfort, educate his children, give his family some of the luxuries

of life, and lay by provision for old age and for the rainy day that seems sure to come in every life. Let the public set the good example of paying the laborer and mechanic an honest wage.

Take away private ownership of public utilities and you will have removed one of the principal causes of and incentives to corruption, to the seeking of public office for the purposes of corrupt gain, to commercialism in politics. Do away with the contract system of performing public work and establish the direct labor plan. Then you will have gone far towards making public office unprofitable for the grafter and the spoilsman.

Finally establish the principle of non-partisanship in all local affairs. Reduce the number of elective officials. Compel each candidate for public place to submit himself upon his merits, divested of the name, the support and the backing of a great political party. Fight out local fights on local issues.

These things will aid in making public service, however insignificant, so honorable that it will be eagerly sought by every man.